

CITY OF MARIETTA/BLW PENSION BOARD MEETING

Wednesday, February 10, 2016
9:00 AM – Fourth Floor City Hall Conference Room

MEETING MINUTES

Members Present:

Bill Bruton	Tim Milligan
Freddy Morgan	Beth Sessoms
Philip Goldstein	Bobby Moss
Jake King	Rick Steffes

Absent:

Anthony Coleman

Ex-Officio Members:

Davy Godfrey – Pension Board Secretary and Director, Human Resources & Risk Management
Sam Lady – Pension Board Treasurer and Finance Director

Visitors / Guests

Ian Janecek and Scott Arnwine – Gavion
Rob Johnson – Principal Financial Group
Cynthia Sanh – Benefits Manager
Meredith Weber – Benefits Technician
Beth Keller – Controller/Purchasing Manager
Michelle Collings – Accounting Supervisor
Fion Lau – HR Administrative Assistant
Patti Keesler – Pension Board Attorney
Ed Koebel and Dayna Waddell – Cavanaugh Macdonald Consulting
Ginni Harris – Crace Galvis McGrath
Eric Lockhart – Senior Business Analyst, IT Department
Michael Rigo – Retiree
J. Michael Treadaway – Attorney representing Michael Rigo

Chairperson Freddy Morgan declared a quorum and called the meeting to order at 9:01 am. He asked Secretary Davy Godfrey about the offices up for election. Godfrey responded that the board needed to appoint or reappoint all officers for the 2016 year. Vice Chairperson Tim Milligan asked what was required by code. Secretary Godfrey responded that a chairperson and secretary are required by code, and the rest of the positions were created by the board. Chairperson Morgan asked for a motion to appoint a chairperson. Vice Chairperson Milligan made a motion to **reappoint Morgan as chairperson**. Member Rick Steffes seconded the motion, and the **motion carried unanimously, 6-0**. Morgan asked for a motion to appoint a vice chairperson. Member Beth Sessoms made a motion to **reappoint Milligan as vice chairperson**. Member Bobby Moss seconded the motion, and the **motion carried unanimously, 6-0**. Chairperson Morgan asked for a motion to appoint a secretary. Sessoms made a motion to **reappoint Godfrey as secretary**. Chairperson Morgan seconded the motion, and the **motion carried unanimously, 6-0**. Chairperson Morgan made a motion to **reappoint Sam Lady as treasurer**. Vice Chairperson Milligan seconded the motion, and the **motion carried unanimously, 6-0**. Chairperson Morgan asked for a motion to **reappoint Milligan, Morgan, and Jake King to the calculation committee**. Vice Chairperson Milligan made a motion, Member Steffes seconded the motion, and the **motion carried unanimously, 6-0**. Member Bill Bruton arrived at the meeting. Chairperson Morgan asked for a motion to **reappoint Patti Keesler as the board's legal counsel**. Vice Chairperson Milligan made the motion, Chairperson Morgan seconded the motion, and the **motion carried unanimously, 7-0**. Member Philip Goldstein arrived at the meeting.

Chairperson Morgan then recognized retiree Michael Rigo and his attorney, J. Michael Treadaway regarding his **appeal to the Pension Board for the administrative suspension of his disability benefits**. Chairperson Morgan stated that Mr. Rigo's disability benefits were suspended administratively after the city's HR Department received word that he had been working as a real estate agent since November 2013. Mr. Treadaway stated that he wanted to present the information in front of the city council. Chairperson Morgan explained that this step came before the council appeal. Mr. Treadaway stated that he wanted this to be in the form of an administrative hearing in accordance with Georgia Code, including following all rules of evidence. Chairperson Morgan asked Ms. Patti Keesler, Pension Board Attorney, for her opinion, and she stated that these hearings are an informal presentation of information to allow the board to make its decision. Chairperson Morgan asked Secretary Godfrey to present the information that was in the packets in front of the board. Mr. Treadaway objected on the grounds that he was not sworn in. Member Goldstein swore in Secretary Godfrey, and he began presenting the information. Mr. Treadaway objected that the information was hearsay. Chairperson Morgan then stated that the board needed to go to executive session to better determine what to do with this situation. Vice Chairperson Milligan made a **motion to go to executive session**, Chairperson Morgan seconded the motion, and **the motion carried unanimously, 8-0**. The room was then cleared for discussion to resume. After discussion was held, Member Goldstein made the **motion to come out of executive session**, Sessoms seconded the motion, and **the motion carried unanimously, 8-0**. Chairperson Morgan advised Mr. Treadaway that the board would be in touch with him regarding the way ahead for Mr. Rigo's appeal. Mr. Rigo departed the meeting, but Mr. Treadaway remained in the gallery.

Chairperson Morgan asked Ms. Ginni Harris from Crace Galvis McGrath to present the Pension Audit Report. Ms. Harris first addressed the letter to the board that indicated that the audit found the plan with 58% in equities on a cost basis per market value. Georgia Code limits equities to 55% cost basis per market value. Treasurer Lady then replied that the plan is now at 48%, and had Mr. Ian Janecek from Gavion confirm that number. Ian then stated that they had implemented control measures to prevent that from happening in the future. Ms. Harris then discussed the unmodified clean opinion on pages 2-3, the Independent Auditor's Report. Ms. Harris discussed page 4, the Statement of Fiduciary Net Position as of 6/30/15, and page 5, the Statement of Changes during the Fiscal Year. Ms. Harris made a note regarding the disclosures, and there have been no new disclosures since GASB 67 was implemented. Ms. Harris then discussed pages 15-17, the Supplementary Information required by GASB 67, and that they conducted several tests of active and retiree files to ensure that the city was properly administering the plan. Bruton asked Harris if the audit was conducted using a 30-year model versus 27 or 28. Mr. Ed Koebel responded that everything has been conducted using a 27-year model. Chairperson Morgan then thanked Ms. Harris and she departed the meeting.

Chairperson Morgan then asked Mr. Ed Koebel and Ms. Dayna Waddell to present the Pension Valuation Report. Mr. Koebel and Ms. Waddell discussed the below information:

- Market Value Return for fiscal year was 2.9%.
- Actuarial Value Return for fiscal year was 7.3%.
- Demographic and Salary Assumption Gains over the past 2 years have helped the Funding Ratio increase from 55.8% to 58.7%.
 - Actuarial Value of Assets \$95,046,000
 - Actuarial Accrued Liability \$161,782,000
 - Unfunded Accrued Liability (UAL) \$66,736,000
- Actuarially Determined Contribution Rate lowered from 16.92% to 16.62% as a percentage of payroll (for 2017 and 2018 FYEs).
 - Normal Cost 4.23%
 - Amortization of UAL 12.39%
 - Total 16.62%
 - Estimated in Dollars \$5.4 million
- Possible Next Steps for the City

- Funding Policy – Mr. Koebel stated that he was worried about plans with a low amortization period for big losses, but Member Goldstein stated he was reluctant to extend the time for the plan to become fully funded. Mr. Koebel stated that he could provide some examples at the next meeting.
- Experience Study – Mr. Koebel stated the last time the city did this was 2009, and is typically done every 7-10 years. Recommended doing next 1-3 years.

Member Steffes asked a general question about the valuation process, and Mr. Koebel and Treasurer Lady both responded with how the process is completed. Chairperson Morgan thanked Mr. Koebel and Ms. Waddell, and they departed the meeting. Member Goldstein departed the meeting. Chairperson Morgan called for a **motion to receive and file the reports from Crace Galvis McGrath and Cavanaugh Macdonald**. Vice Chairperson Milligan made a motion, Member Sessoms seconded the motion, and **the motion carried unanimously, 7-0**.

Chairperson Morgan asked the members to review the minutes from the November 11, 2015, meeting. He asked for a **motion to approve the November 11, 2015, minutes**. Member Sessoms made a motion, Member Jake King seconded the motion, and **the motion carried unanimously, 7-0**. Member King then departed the meeting.

Chairperson Morgan asked Mr. Ian Janecek and Mr. Scott Arnwine from Gavion to provide a 4th quarter and 2015 update on the General Pension investment portfolio. Mr. Janecek presented the quarterly book with data ending 31 December 2015. He reiterated that the plan is well within compliance regarding equities using the below information:

As of 12/31/2015			
		Market Value	Cost Basis
		ex Cash	ex Cash
Eagle		20,535,603.62	13,408,181.98
Energy Opps		698,204.17	831,034.01
Seizert		13,168,900.19	14,941,297.02
Westfield		18,430,365.06	15,291,428.90
Total Equity		52,833,073.04	44,471,941.91
Orleans FI		12,905,756.03	13,034,662.81
Sage		11,316,073.20	11,500,590.24
Total Fixed Income		24,221,829.23	24,535,253.05
Victory		10,177,715.08	8,702,303.46
Total Alt		10,177,715.08	8,702,303.46
Total Fund + Cash		92,090,703.00	92,090,703.00
		57.37%	48.29%

Mr. Janecek stated that in May 2016, Gavion would review the cost basis and will work with the board to ensure compliance. Regarding the 4th Quarter report, the total fund net of fees was down 1.5%. The attribution per asset class for 2015 is as follows:

- Equities -2.7%
- Fixed Income 0.1%
- Alternatives (surrogate) 1.3%

On a peer group basis, the performance of the portfolio did not keep up with the peer group defined as defined benefit plans between \$50M to \$250M net of fees. However, the portfolio has been one of the best performing portfolios 4 out of the last 5 years. On a trailing time period basis, the portfolio is one of the better performing portfolios.

For example, as of 12/31/15, the portfolio ranks as follows on a percentile basis:

- 3-year 11th percentile
- 5-year 14th percentile
- 10-year 11th percentile

Per state statute, the portfolio is excluded from using hedged strategies versus the peer group stated above. The city's plan is considered a small plan. Therefore, for 2015 the portfolio was not able to mitigate the losses within the equity markets. A discussion concerning the individual manager's performance was held. Some managers did well. The underlying cause for those that did not, on a relative basis, was due to their equity positions being sensitive to the strength of the dollar. The individual companies they own have some earnings derived from international markets. When the local currency is converted to USD, the effect is reduced earnings growth. The managers discussed are not macro managers, and their process and philosophy has not changed in the course of a currency headwind. Mr. Janecek did not recommend rebalancing or manager changes. Arnwine mentioned that markets, especially in energy, have been volatile, but Mr. Janecek relayed that the city has not had exposure to some of the bad funds. Chairperson Morgan thanked Mr. Janecek and Mr. Arnwine, and they departed the meeting.

Chairperson Morgan asked Mr. Rob Johnson from Principal Financial Group to provide a 4th quarter and 2015 update on the Supplemental Pension investment portfolio. Mr. Johnson presented the following information: For the year 2015, 15.75% of assets flowed into the target date funds, which is an improvement, but is far lower than we see in the average participant directed plan. The largest holding continues to be the short-term fixed income investment at 57.65%, but that is less than the 58.29% we saw at the start of 2015. Three-year and five-year performance for the funds in the plan continues to be strong when compared to their peers and indexes. For the trailing three-year period, 20 out of 23 funds have outperformed their peer group, and for the trailing five-year period, 21 out of 23 have outperformed their peer group. As of 12/31/15, the vast majority of the investments are rated as favorable in Principal's scorebook evaluation, and currently there is only one receiving a less favorable ranking.

- Harbor International – Now rated as favorable with a score of 2.46. 2.5 or lower is required to receive a favorable ranking. The score improved due to the improvement in the Information Ratio.
- Fidelity Advisor Leveraged Co Stock Fund – Receiving less favorable due to performance. This is an aggressive fund and performance varies greatly from one year to the next as can be seen in the percentile rankings per year.

There is a relatively new service available from Principal that provides fiduciary protection through a third party, Wilshire. Principal just learned that, despite it being "ERISA" 3(21) protection, Wilshire still offers the service to governmental plans such as the one at City of Marietta. Mr. Johnson stated it does not need to be considered now, but may come into the discussion if the city hires a financial advisor. The cost is 2 basis points for this service. Chairperson Morgan thanked Mr. Johnson for his presentation, and he departed the meeting.

Chairperson Morgan asked Secretary Godfrey to give an update on the Pension Board Elections and present the results memoranda. Freddy Morgan was re-elected to his seat as a General Employee

representative, and Rick Steffes was elected as General Employee representative. Bobby Moss was elected as Fire Department representative. Their terms began on January 1, 2016, and they will serve until December 31, 2018. Morgan asked for a **motion to receive and file both election results memos**. Vice Chairperson Milligan made the motion, Member Goldstein seconded the motion, and **the motion carried unanimously, 7-0**.

Chairperson Morgan then asked Secretary Godfrey to present the retirement applications since the last meeting. Secretary Godfrey began by stating that all 2015 pension verification forms are now accounted for. Regarding retirement applications, Secretary Godfrey presented the following nine for approval:

1. DODD, CHARLES H. – Consolidated, Life Only. Normal.
Effective 11/1/2015. Monthly Benefit of \$1,089.25.
Employed 3/4/1999 to 10/31/2015, 16 years, 7 months. Environmental Services Route Driver
2. HARSHAW, TOMMY L. – Consolidated, Life Only. Unreduced Early Benefit.
Effective 11/1/2015. Monthly Benefit of \$1,312.00.
Employed 10/11/1995 to 10/31/2015, 20 years. Environmental Services Route Driver.
3. JONES JR, THOMAS. – Consolidated, Life Only. Terminated Vested Early Benefit.
Effective 11/1/2015. Monthly Benefit of \$314.73.
Employed 12/1/1987 to 6/19/1998, 10 years, 6 months. Recreation Leader.
4. WILLIAMS, SAMMIE D. – Consolidated, Life Only. Early Benefit.
Effective 11/1/2015. Monthly Benefit of \$441.19.
Employed 1/3/2006 to 10/31/2015, 9 years, 9 months. Human Resources Specialist.
5. SHADECK, JEROME H. – Consolidated, Life Only. Terminated Vested Early Benefit.
Effective 11/1/2015. Monthly Benefit of \$647.02.
Employed 7/27/1989 to 11/2/2002, 13 years, 3 months. Police Officer.
6. BARNES, MARK E. – Consolidated, Life Only. Unreduced Early Benefit.
Effective 12/1/2015. Monthly Benefit of \$3,162.40.
Employment period 7/28/1988 to 11/30/2015, 27 years, 4 months. Fire Engineer Medic.
7. JACKSON, MELVIN. – Consolidated, Life Only. Unreduced Early Benefit.
Effective 12/1/2015. Monthly Benefit of \$252.74.
Employed 8/27/1987 to 9/15/1997, 10 years. Environmental Services Route Driver.
8. PEEPLES, HENRY G. – Consolidated, Life Only. Terminated Vested Early Benefit.
Effective 12/1/2015. Monthly Benefit of \$354.49.
Employed 6/27/1983 to 5/1/1998, 14 years, 10 months. Laborer II Streets.

9. SNELSON, ROBERT L. – Consolidated, Joint & Survivor option. Normal Benefit.

Effective 1/1/2016. Monthly Benefit of \$2,163.14.

Employed 11/21/2001 to 12/31/2015, 14 years, 1 month. Director of Water & Sewer.

Chairperson Morgan asked for a **motion to approve the nine retirement applications**. Member Goldstein made the motion, Member Sessoms seconded the motion, and **the motion carried unanimously, 7-0**.

Chairperson Morgan then moved to **old business regarding the Supplemental Pension Consultant update**. Treasurer Lady stated that they were finalizing all proposals, and there was a meeting on February 25, 2016, to review them. **No action required**.

Chairperson Morgan then moved to a **discussion regarding updating the Supplemental Pension Investment Policy Statement**. **The item was tabled** until a consultant is in place.

Chairperson Morgan then recognized Secretary Godfrey to open **discussion regarding consolidating providers of Deferred Compensation and the Supplemental Pension**. Secretary Godfrey relayed that the interested providers stated that consolidation can result in lower fees and simplifying investing for participants. Discussion was held, with some members in favor of making things easier for employees, while some expressed reservations regarding removing choices with Deferred Compensation. Some members asked about a specific amount of savings that would result from the consolidation. Secretary Godfrey responded that none of the companies gave a specific number, but only promised a “substantial savings.” Member Moss asked for specific quotes from the companies. Secretary Godfrey replied he would **move forward and ask for ballpark figures from our current Deferred Compensation providers**.

Chairperson Morgan reminded and **encouraged members to attend the GAPPT Trustee School** next month in Macon in order to obtain certification or CEUs.

Chairperson Morgan then moved to **new business**, recognizing Secretary Godfrey regarding **defining a physician for application for and certification of disability benefits**. Secretary Godfrey stated that current code could be clarified since many retirees use health care providers who are not licensed as Medical Doctors for their recertification forms. Ms. Keesler stated that current city code allows any “legally qualified” physician. Secretary Godfrey proposed to align the code with the language of O.C.G.A. 43 Chapter 34. Discussion ensued regarding changing city code and the proper language to use. Member Goldstein made a **motion to amend city code regarding defining a physician, and to have it presented to council as soon as approved by Patti Keesler**. Member Sessoms seconded the motion, and **the motion carried unanimously, 7-0**.

Chairperson Morgan then recognized Secretary Godfrey regarding **Pension Board election procedures**. Secretary Godfrey stated that current city code is silent regarding electronic and early voting, and could use an administrative update as well. Secretary Godfrey presented recommended changes to city code. The board recommended adding some language regarding paper ballots and Member Goldstein made a **motion to submit changes to council with added language**. Member Bruton seconded the motion, and **the motion carried unanimously, 7-0**.

Chairperson Morgan then recognized Secretary Godfrey regarding **retirement application and recertification forms**. Discussion ensued on each form, with the board recommending certain changes. After all forms were reviewed, Member Goldstein made a **motion to begin using the forms with recommended changes after approved by Patti Keesler**. Bruton seconded the motion, and **the motion carried unanimously, 7-0**.

Chairperson Morgan then recognized Secretary Godfrey regarding the new **Pension Board website**. Secretary Godfrey stated that, although many members were already aware, he had put all existing copies of minutes and ordinances on there, and it would become a good information repository. He

asked the members to please send him any feedback regarding the site. A few members said that it was a good thing and to keep it up.

Chairperson Morgan then recognized Secretary Godfrey regarding **GAPPT membership renewal**. Secretary Godfrey stated that a motion was approved early last year, but that it may need to be made again since a new board was seated. Member Goldstein made a **motion to renew all memberships and allow Treasurer Lady to pay for them**, Member Sessoms seconded the motion, and **the motion carried unanimously, 7-0**.

Chairperson Morgan then scheduled the next meeting at the same time and location on May 11, 2016, to align with the council meeting that month.

Chairperson Morgan then asked for a **motion to adjourn the meeting**. Member Sessoms made the motion, Chairperson Morgan seconded, and **the motion carried unanimously, 7-0**.

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**Wednesday, February 10, 2016
9:00 AM – Fourth Floor Conference Room**

APPROVED THIS 11th DAY OF May, 2016

Freddy Morgan
Freddy Morgan, Pension Board Chairperson

ATTEST:
Davy Godfrey
Davy Godfrey, Pension Board Secretary